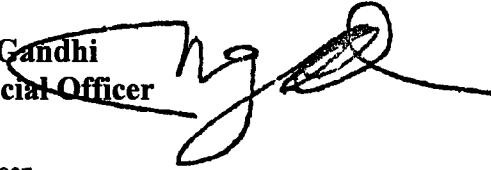


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: DEC 14 2007

SUBJECT: Fiscal Impact Statement: "Early Retirement Incentive and Voluntary Severance Incentive Temporary Act of 2007"

REFERENCE: Draft Legislation

Conclusion

Funds are sufficient to implement the provisions of the proposed legislation in the approved FY2008 Budget and the FY2009-FY2011 Financial Plan. The proposed legislation authorizes the Mayor to offer incentives for early retirement and separation. These incentives are not entitlements, but are to be awarded at the discretion of the agency within available resources.

Background

The Early Retirement Incentive and Voluntary Severance Incentive Temporary Act of 2007 establishes an early retirement incentive program ("Easy Out Program") that offers a retirement incentive of up to 50 percent of each eligible retiree's FY 2008 annual salary to all employees retiring under the Civil Service Retirement System (CSRS)¹. The incentive is capped at \$25,000 per retiree and would be paid out within one year of the employee's retirement.

The incentive is limited to civilians (excludes sworn members of the Metropolitan Police Department and the Emergency Medical Services Department) in non-critical positions and with "clean" records.² Those who take advantage of the Easy Out Program would not be eligible for

¹ The post-retirement benefits of D.C. Government employees who retire under the Civil Service Retirement Program are fully paid by the Federal Government. For details, please see <http://www.opm.gov/forms/pdfimage/RI83-1.pdf>.

² The definition of "clean" is provided in the proposed legislation. In sum, the incentive would exclude personnel currently under indictment, charged by or convicted for a felony (or misdemeanor), or who has been convicted after a plea of *nolo contendere* to a felony (or misdemeanor) related to his or her employment duties.

reemployment by the District Government for five years following their retirement; nor can they offer their services as consultants during this period, without returning the incentive back to the District Government.

The Act also provides a voluntary severance incentive to those employees under the CSRS who are not yet eligible for retirement. The severance payment, capped at \$20,000, would be determined on a sliding scale based on the years of service, and must be paid in FY2008. The legislation provides that agencies would be able to exclude positions from the voluntary severance program based on the needs of the government.

Financial Plan Impact

Funds are sufficient to implement the provisions of the proposed legislation in the approved FY2008 Budget and the FY2009-FY2011 Financial Plan. The proposed legislation authorizes the Mayor to offer incentives for early retirement and separation. These incentives are not entitlements, but are to be awarded at the discretion of the agency within available resources. Federal and District anti-deficiency laws³ prohibit District officers and employees from exceeding agency appropriations in any fiscal year.

The proposed legislation could result in up to \$3.2 million in savings for FY 2008 and \$20.9 million in savings for the FY 2009 – FY 2011 Financial Plan Period.

Table 1 – Potential Cost Savings of the Retirement Incentive Act of 2007, in millions of dollars					
	FY 2008	FY 2009	FY 2010	FY 2011	Total
Cost Savings *	\$3.2	\$6.4	\$6.5	\$6.7	\$20.6

* Assuming that the incentives are processed by March 31, 2008 and the positions vacated by the retirees are filled with lower-cost employees or are not filled at all.

³ 31 USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et sequitor* (2003).